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Report to the Legislature

MONTANA HISTORICAL SOCIETY

Financial-Compliance Audit for the
Two Fiscal Years Ended June 30, 1984

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STATE OF MONTANA

Report to the Legislature

MONTANA HISTORICAL SOCIETY

Financial-Compliance Audit for the
Two Fiscal Years Ended June 30, 1984

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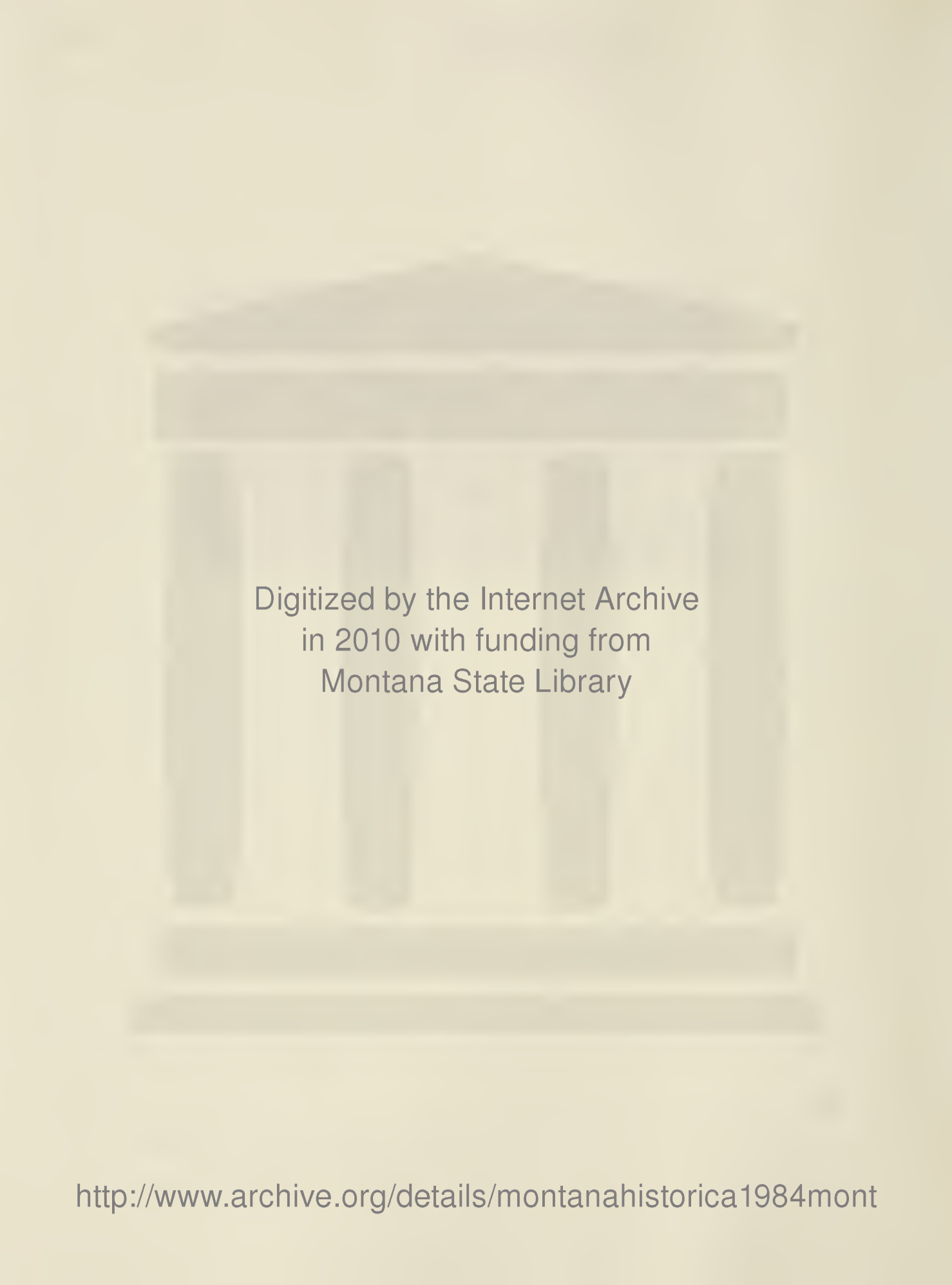
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APPOINTED AND ADMINISTRATIVE OFFICIALS

MONTANA HISTORICAL SOCIETY BOARD OF TRUSTEES

		Term Expires July 1 of
James R. Berry	Wolf Point	1989
Mrs. Charles A. Bovey	Great Falls	1987
Jay Contway	Great Falls	1985
Bruce L. Ennis	Billings	1986
Leif Erickson	Bigfork	1986
Mrs. Louis W. Hagener	Havre	1985 (resigned 11/16/84)
succeeded by Loran Perry	Havre	1985
Mrs. Helen Hornby	Livingston	1988
William Mackay	Roscoe	1989
Michael P. Malone	Bozeman	1987
Eric J. Myhre	Helena	1987
George W. O'Connor	Butte	1988
James W. Reger	Billings	1985
Hal Stearns	Helena	1986
Dee C. Taylor	Missoula	1988
Wilbur P. Werner	Cut Bank	1989

MONTANA HISTORICAL SOCIETY PRESERVATION REVIEW BOARD

		Term Expires October 1 of
Don Hyyppa	Helena	1988
Jack Lepley	Fort Benton	1987
Jim McDonald	Missoula	1988
William G. Melton, Jr.	Missoula	1986
Fred Quivik	Butte	1988
David Rivenes	Miles City	1987
Tom Roll	Bozeman	1985
Jeffrey J. Safford	Bozeman	1986
Margaret Warden	Great Falls	1987

MONTANA HISTORICAL SOCIETY

Dr. Robert Archibald	Director
Brian Cockhill	Administrative Officer Centralized Services

SUMMARY OF RECOMMENDATIONS

This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's response.

	Page
Recommendation #1 The society charge expenditures to the proper program and appropriation in compliance with the Legislative Appropriation Act.	3
Agency Response: Concur. See page 27.	
Recommendation #2 The society comply with state law or, if necessary, seek legislation to be exempt from this law.	3
Agency Response: Partially concur. See page 27.	
Recommendation #3 The society: A. Obtain approval of an indirect cost plan for appropriate federal grants.	4
Agency Response: Concur. See page 27.	
B. Recover applicable indirect costs to the fullest extent possible in accordance with state law.	4
Agency Response: Concur. See page 27.	
Recommendation #4 The society develop a plan to establish and coordinate the administration of an historical records network in compliance with state law.	5
Agency Response: Concur. See page 28.	
Recommendation #5 The society account for individual federal grants separately in the state accounting system.	6
Agency Response: Concur. See page 28.	

SUMMARY OF RECOMMENDATIONS (Continued)

	Page
Recommendation #6	
The society maintain required documentation supporting all accounting transactions.	6
Agency Response: Concur. See page 28.	
Recommendation #7	
The society: A. Deposit collections in compliance with state law.	7
Agency Response: Concur. See page 28.	
B. Ensure all collections are properly included on the collection log.	7
Agency Response: Concur. See page 28.	
Recommendation #8	
The society: A. Classify revenue in accordance with state policy.	8
Agency Response: Concur. See page 29.	
B. Recognize revenue in the proper fund and the year earned.	8
Agency Response: Concur. See page 29.	
Recommendation #9	
The society account for the historic preservation grant in the Special Revenue Fund.	9
Agency Response: Concur. See page 29.	

INTRODUCTION

We performed a financial-compliance audit of the Montana Historical Society for fiscal years 1982-83 and 1983-84. The objectives of the audit were to: 1) determine if the society's financial schedules present fairly the results of operations for the two fiscal years ended June 30, 1984; 2) determine if the society complied with applicable laws and regulations; and 3) make recommendations for improvement in the management and internal controls of the society.

This report contains nine recommendations to the society. These recommendations address areas where the society can improve management, internal control, financial reporting, and compliance with laws and regulations. Other areas of concern not having a significant effect on the successful operations of the society are not specifically included in this report, but have been discussed with management.

In accordance with section 5-13-307, MCA, we analyzed the costs of implementing the recommendations made in this report. Each report section discloses the cost, if significant, of implementing the recommendation.

We thank the director and his staff for their cooperation and assistance during the audit.

BACKGROUND

The Montana Historical Society was established in 1865 by the Territorial Legislature. State law authorized the society to become ". . . an agency of state government for the use, learning, culture, and enjoyment of the citizens of the state and for the acquisition, preservation and protection of historical records, art, archival and museum objects, historical places, sites, and monuments. The society has custody, maintenance and operation of the historical library, museums, art galleries, and historical places, sites and monuments."

Fifteen trustees, appointed by the Governor with the consent of the Senate, administer the society. The society's director

handles the immediate direction, management, and control of the society. Under his direction, the society operated eight programs during our audit period:

1. Administration
2. Library
3. Museum
4. Magazine
5. Merchandising*
6. Historic Sites Preservation
7. Archives
8. Education

*Merged with Program 4 for fiscal year 1984.

The following report sections discuss areas of concern noted during our audit of the society.

STATE COMPLIANCE

We reviewed compliance with state laws that could have a material impact on the financial schedules of the society. In our opinion, the society complied with the state laws and regulations tested except for the instances discussed in the paragraphs below. Nothing came to our attention that causes us to believe untested compliance items are not in accordance with applicable laws and regulations.

Appropriations

During the fiscal year-end period the Department of Administration monitors appropriation activity daily to identify and notify personnel at individual agencies when negative appropriation balances occur. Negative balances must be resolved prior to SBAS closing. Resolution typically occurs through use of budget amendments, distribution vouchers, and journal vouchers.

We tested Historical Society transactions relating to negative appropriation balances and their subsequent restatement. We noted where the society improperly abated expenditures in order to correct negative appropriations and as a result the society

overspent its fiscal year 1983-84 General Fund line-item appropriation for the Museum Program by $235.

RECOMMENDATION #1

WE RECOMMEND THE SOCIETY CHARGE EXPENDITURES TO THE PROPER PROGRAM AND APPROPRIATION IN COMPLIANCE WITH THE LEGISLATIVE APPROPRIATION ACT.

Deferred Revenue

Section 17-8-107, MCA, prohibits a state agency from expending deferred revenue for current fiscal year operations. Montana Historical Society officials have indicated the society has always paid current publication costs of producing Montana, The Magazine of Western History out of deferred subscription income. Society officials have expressed these concerns through written correspondence with the Governor and the Office of Budget and Program Planning (OBPP). The OBPP indicated they could not recommend circumvention of statutory provisions but that Montana Historical Society inform the Legislative Finance Committee of the problem. The problem has not yet been resolved.

RECOMMENDATION #2

WE RECOMMEND THE SOCIETY COMPLY WITH STATE LAW OR, IF NECESSARY, SEEK LEGISLATION TO BE EXEMPT FROM THIS LAW.

Indirect Cost Reimbursement

The federal government recognizes and provides for reimbursements to state agencies for indirect costs incurred in the administration of most federal grants. Section 17-3-111, MCA, requires that each agency negotiate agreements with the federal government to recover, to the fullest extent possible, indirect costs of administering federal grants. State policies provide

instructions for agencies to collect and account for these indirect cost reimbursements.

The society did not seek federal reimbursement for the indirect cost of support services. The Statewide Cost Allocation Plan for fiscal years 1982-83 and 1983-84 identifies indirect costs of $17,543 and $30,514, respectively, for services rendered to the society by other state agencies. The lack of an indirect cost reimbursement agreement means that the state of Montana had to pay for these types of costs that may have been reimbursable through the federal grant programs. This recommendation was also addressed in our prior audit.

RECOMMENDATION #3

WE RECOMMEND THE SOCIETY:

A. OBTAIN APPROVAL OF AN INDIRECT COST PLAN FOR APPROPRIATE FEDERAL GRANTS.

B. RECOVER APPLICABLE INDIRECT COSTS TO THE FULLEST EXTENT POSSIBLE IN ACCORDANCE WITH STATE LAW.

Historical Records Network

Sections 22-3-211 and 22-3-212, MCA, require the trustees of the Montana Historical Society to establish and coordinate the administration of an historical records network and to operate the network within the budgets of the historical society and the university system. The Montana Historical Society has not established an historical records network. Agency officials indicate they were unable to operate one within the current budgets. They estimate the cost of the network would be $215,000 for the university system and historical society of which approximately 40 percent is applicable to the historical society.

RECOMMENDATION #4

WE RECOMMEND THE SOCIETY DEVELOP A PLAN TO ESTABLISH AND COORDINATE THE ADMINISTRATION OF AN HISTORICAL RECORDS NETWORK IN COMPLIANCE WITH STATE LAW.

FEDERAL GRANTS

Our audit of federal moneys was performed in accordance with the requirements in the U.S. Office of Management and Budget "Circular A-102, Attachment P." This circular provides for audits of financial operations, including compliance with certain provisions of federal laws and regulations.

The Montana Historical Society received federal grant moneys as listed on page 25. We reviewed the major compliance areas of the Local Government Records Grant, the Newspaper Cataloging Grant, and the National Parks Service's Historic Preservation Grant Programs. Areas reviewed included specific grant provisions, cost allowability, and grantor reporting.

Nothing came to our attention that causes us to believe untested compliance issues are not in accordance with applicable laws and regulations. It is our opinion that the deficiencies we found did not significantly affect the successful operations of the programs or the allowability of costs in conformity with program regulations, except as noted in the following section.

Federal Grant Management

Montana Historical Society does not account for each federal grant separately on the Statewide Budgeting and Accounting System. Individual federal grants are recorded together with other federal grants or with state funds in the same accounting entity and/or responsibility center on the state accounting system. This makes it difficult to analyze cash balances for the grant programs and to accrue and defer grant revenue and expenditures at fiscal year-end. According to Circular A-102, Attachment G, grantee financial management systems shall provide for:

a) accurate, current, and complete disclosure of the financial results of each grant program;

b) effective control over and accountability for all funds, property, and other assets; and

c) comparison of actual outlays with budgeted amounts for each grant.

To facilitate accounting of and recording for federal grant programs, accountability of funds should be maintained for each individual federal grant.

RECOMMENDATION #5

WE RECOMMEND THE SOCIETY ACCOUNT FOR INDIVIDUAL FEDERAL GRANTS SEPARATELY IN THE STATE ACCOUNTING SYSTEM.

TRANSACTION SUPPORT

Entries to the State Accounting Records

The society routinely makes entries to the Statewide Budgeting and Accounting System (SBAS) using journal vouchers. These documents are used to satisfy many miscellaneous and special financial transaction needs such as making corrections and adjustments to previously established amounts.

We noted numerous instances where journal vouchers were used to make corrections and adjustments to SBAS without supporting documentation to substantiate the propriety of the entries. Thirteen out of nineteen documents reviewed did not have proper support.

Management Memo 2-79-8 states "Every SBAS document in the agency's file shall be properly and adequately supported."

RECOMMENDATION #6

WE RECOMMEND THE SOCIETY MAINTAIN REQUIRED DOCUMENTATION SUPPORTING ALL ACCOUNTING TRANSACTIONS.

COLLECTIONS

Deposits

The society receives money daily for its various programs. According to state law, all moneys received shall be deposited each day when the accumulated amount of coin and currency exceeds $100 or when total accumulated collections exceed $500. In any event, all moneys collected shall be deposited at least weekly. The purpose of this policy is to ensure that money is properly safeguarded and deposited on a timely basis.

We tested a sample of deposits made by the society and noted 14 out of 37 deposits were untimely (two days or more) and not in accordance with state law. This was a prior audit recommendation.

Collection Log

The society reconciles its collection log to the Statewide Budgeting and Accounting System's (SBAS) report of receipts. We tested this procedure and noted 9 out of 45 receipts on the SBAS report could not be traced to the collection log. Proper recording of receipts in the collection log and collection report ensures revenue collections are accounted for properly.

RECOMMENDATION #7

WE RECOMMEND THE SOCIETY:

A. DEPOSIT COLLECTIONS IN COMPLIANCE WITH STATE LAW.

B. ENSURE ALL COLLECTIONS ARE PROPERLY INCLUDED ON THE COLLECTION LOG.

Revenue Recognition

Statewide revenue classifications have been set up in state policy. The statewide revenue classification is a means of identifying the nature of amounts deposited into a fund in the state's accounting system. State policy also requires revenue to be recognized in the fund and the year to which it applies.

The society recorded revenue in the wrong funds, revenue classifications, and fiscal year by: 1) recording donated moneys as investment earnings in the Nonexpendable Trust Fund instead of donations in the Special Revenue Fund; 2) recording the receipt of a special membership fee as dividends in the Nonexpendable Trust Fund rather than as donations and sale of documents, merchandise, and property in the Special Revenue and Enterprise Funds, respectively; 3) recording $2,500 of revenue donated for the publication of the Haynes Book in the Special Revenue Fund rather than in the Enterprise Fund; and 4) recording private donations of $20,000 as the sale of documents, merchandise, and property rather than as donations in the Enterprise Fund. The society also improperly deferred $9,366 of donation revenue in the Enterprise Fund into fiscal year 1983-84 as sale of documents, merchandise, and property revenue. The donation revenue was earned and should have been recorded as fiscal year 1982-83 revenue. Agency personnel said the above problems were due to: 1) human error, 2) personnel turnover and inexperience, and 3) uncertainty of source of funds. This resulted in the misstatements outlined in Note 9 on page 24.

RECOMMENDATION #8

WE RECOMMEND THE SOCIETY:

A. CLASSIFY REVENUE IN ACCORDANCE WITH STATE POLICY.

B. RECOGNIZE REVENUE IN THE PROPER FUND AND THE YEAR EARNED.

FUND CLASSIFICATION

The state accounting records are organized utilizing a fund structure specified in section 17-2-102, MCA. During our audit period, Montana Historical Society was accounting for federal historic preservation discretionary grant money in the Agency Fund. This grant money should have been accounted for in the Special Revenue Fund. Agency personnel indicated they are aware

of this problem and have taken steps to correct it. This grant money is presented with other federal money in the Special Revenue Fund on the financial schedules accompanying this report.

RECOMMENDATION #9

WE RECOMMEND THE SOCIETY ACCOUNT FOR THE HISTORIC PRESERVATION GRANT IN THE SPECIAL REVENUE FUND.

INTERNAL CONTROL

We examined the financial schedules of the Montana Historical Society for the two fiscal years ended June 30, 1984. We issued our opinion dated January 28, 1985 on these schedules. As part of our examination, we made a study and evaluation of the society's system of control. Our study evaluated the system as required by generally accepted governmental auditing standards for financial compliance audits. We classified the controls in the following categories:

1. revenue/receipts;
2. payroll;
3. expenditures;
4. property, plant, and equipment;
5. grants; and
6. cash.

Our study included the control categories listed above. We applied alternative audit tests to property, plant, and equipment and cash because the audit could be performed more efficiently by expanding substantive audit work. Through our study, we determined the nature, timing, and extent of our auditing procedures. We did not evaluate the control system to the extent necessary to give an opinion on either individual segments or the system as a whole.

The management of the Montana Historical Society is responsible for establishing and maintaining a system of accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and

related costs of control procedures. The objectives of a system are to provide management with reasonable assurance that: 1) assets are safeguarded against loss from unauthorized use or disposition; 2) transactions are executed in accordance with management's authorization; and 3) transactions are recorded properly to permit the preparation of financial schedules in accordance with state accounting policies. Inherent limitations in any system of controls may cause errors or irregularities to remain undetected. The current system of evaluation should not be used to project to future periods since the procedures may become inadequate or compliance with them may deteriorate.

The limited purpose of our study described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of controls used by the Montana Historical Society. Our evaluation disclosed conditions relating to collections as detailed on page 7 that could result in financial schedule errors that could be difficult to detect.

The preceding three paragraphs are intended solely for the use of management and the Legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of this document which, upon presentation to the Legislative Audit Committee, is a matter of public record.

PRIOR AUDIT RECOMMENDATIONS

The previous audit of the society, for the two fiscal years ended June 30, 1982, contained twelve individual recommendations. Of the twelve recommendations, eight have been implemented, one partially implemented, and three have not been implemented. In the previous audit the agency concurred with all of the recommendations it has not implemented.

Recommendations not implemented relating to indirect costs and collections are discussed on pages 3, 4, and 7 of this report. The remaining recommendation not fully implemented has been discussed with management.

AUDITOR'S REPORT
AND SCHEDULES OF AGENCY FINANCIAL ACTIVITY

SUMMARY OF AUDIT OPINION

The auditor's opinion issued in this report is intended to convey to the reader of the financial schedules the degree of reliance that can be placed on the amounts presented.

We issued a qualified opinion on the Schedule of Revenue - Estimate and Actual of the Enterprise Fund for fiscal years ended June 30, 1983 and 1984. The reader should consider the dollar misstatements noted in the third paragraph of the audit opinion on page 12 when analyzing financial information in this schedule.

We issued an unqualified opinion on the remaining schedules. The reader may rely on the amounts presented in these schedules when analyzing the society's operations.

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
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LEGISLATIVE AUDITOR

DEPUTY LEGISLATIVE AUDITORS:
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PERFORMANCE AUDITS

STAFF LEGAL COUNSEL
JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the financial schedules of the various funds of the Montana Historical Society (MHS) for each of the two fiscal years ended June 30, 1983 and 1984 as shown on pages 15 through 24. Our examination was made in accordance with generally accepted auditing standards and Standards for Audits of Governmental Organizations, Programs, Activities, and Functions and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 1 to the financial schedules, the society's financial schedules are prepared in accordance with state accounting policy. Accordingly, the accompanying financial schedules are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

During fiscal years 1982-83 and 1983-84 MHS improperly classified and recorded revenue in the Enterprise Fund resulting in the misstatements outlined in Note 9 on page 24.

In our opinion, except for the effects of the matter discussed in paragraph three, the Schedule of Revenue - Estimate and Actual presents fairly the results of operations and changes in fund balance of the Enterprise Fund of the Montana Historical Society

for each of the fiscal years ended June 30, 1983 and 1984, in conformity with the basis of accounting described in Note 1, applied on a consistent basis.

In our opinion, the financial schedules listed below present fairly the results of operations and changes in fund balance of such funds of the Montana Historical Society for the fiscal years indicated below in conformity with the basis of accounting described in Note 1, except for the change, with which we concur, in the reporting format as described in Note 5, applied on a consistent basis.

Schedule Name	Fund	Fiscal Year
Schedule of Changes in Fund Balance	General	Two FY Ended 6/30/84
	Special Revenue	Two FY Ended 6/30/84
	Enterprise	Two FY Ended 6/30/84
	Nonexpendable Trust	Two FY Ended 6/30/84
Schedule of Revenue Estimate and Actual	Special Revenue	1983, 1984
	Nonexpendable Trust	1983, 1984
Schedule of Program Expenditures and Transfers Out by Fund -Budget and Actual	General	1983, 1984
	Special Revenue	1983, 1984
	Nonexpendable Trust	1983, 1984
	Enterprise	1983, 1984
Schedule of Program Expenditures and Transfers Out by Object		1983, 1984

Our examination was made for the purpose of forming an opinion on the financial schedules referred to in paragraph one. The accompanying Schedule of Federal Grant Receipts is presented for additional analysis and disclosure purposes. The schedule has

been subjected to the tests and other auditing procedures applied in the examination of the financial schedules above and, in our opinion, is fairly stated in all material respects in relation to the financial schedules referred to in paragraph one.

Respectfully submitted,

James H. Gillett, CPA
Deputy Legislative Auditor

January 28, 1985

Approved:

Robert R. Ringwood
Legislative Auditor

MONTANA HISTORICAL SOCIETY
SCHEDULE OF CHANGES IN FUND BALANCE
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1984

	General Fund	Special Revenue Fund[3]	Enterprise Fund	Nonexpendable Trust Fund
FUND BALANCE JULY 1, 1982	$ -0-[1]	$ 221,237	$ 73,636	$ 88,650
ADDITIONS:				
Fiscal Year 1983				
Support From State of Montana	$826,397			
Budgeted Revenue		$ 775,543	$378,632	
Prior Year Revenue Adjustments		(18,913)	21,192	
Nonbudgeted Revenue				$ 32,268
Fiscal Year 1984				
Support From State of Montana	980,563			
Budgeted Revenue		943,503	335,890	
Prior Year Revenue Adjustments		(5,489)	(699)	
Nonbudgeted Revenue				10,219
Total Additions	1,806,960	1,694,644	735,015	42,487
REDUCTIONS:				
Fiscal Year 1983				
Budgeted Expenditures	824,684	855,241	348,733	
Nonbudgeted Expenditures and Transfers Out			(20,691)	3,640
Total Expenditures and Transfers Out	824,684	855,241	328,042	3,640
Prior Year Expenditure Adjustments	1,713	(24,208)	32,660	
Fiscal Year 1984				
Budgeted Expenditures	979,875	923,142	306,276	
Nonbudgeted Expenditures		27	(29,433)	5,000
Total Expenditures	979,875	923,169	276,843	5,000
Prior Year Expenditure Adjustments	688	(4,884)	1,017	
Total Reductions	1,806,960	1,749,318	638,562	8,640
Prior Period Adjustment		(48,608)[2]		
FUND BALANCE JUNE 30, 1984	$ -0-[1]	$ 117,955	$170,089	$122,497

[1] See Note 4 in the notes to the financial schedules.

[2] Transfer of cultural and aesthetic project grants to Montana Arts Council.

[3] Historic Preservation Grant money is accounted for in the Agency Fund on the state's accounting system. The Historic Preservation Grants are included with other federal money in the Special Revenue Fund on the above schedule.

These schedules are compiled from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 21 through 24.

MONTANA HISTORICAL SOCIETY
SCHEDULE OF REVENUE - ESTIMATE AND ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1984

	Investment Earnings	Grants, Gifts, Bequests, and Donations	Federal Assistance	Sale of Documents, Merchandise, and Property	Reimbursements	Income Collections and Transfers	Total Revenue
FISCAL YEAR 1983							
Special Revenue Fund[3]							
Estimated Revenue	$ 300,367	$200,408	$ 375,726	$ 16,000		$ 20,000	$ 912,501
Actual Revenue	320,570[1]	126,799	298,640	29,534		-0-	775,543
Collections Over (Under) Estimate	$ 20,203	$(73,609)	$ (77,086)	$ 13,534		$(20,000)	$(136,958)
Enterprise Fund							
Estimated Revenue		$ 85,000		$ 467,581			$ 552,581
Actual Revenue		36,134		342,498			378,632
Collections Over (Under) Estimate		$(48,866)		$(125,083)			$(173,949)
Nonexpendable Trust							
Estimated Revenue	$ -0-	$ -0-					$ -0-
Actual Revenue	13,321	18,947					32,268
Collections Over (Under) Estimate	$ 13,321	$ 18,947					$ 32,268
FISCAL YEAR 1984							
Special Revenue Fund[3]							
Estimated Revenue	$ 298,367	$165,500	$ 325,058	$ 19,058	$136,569		$ 944,552
Actual Revenue	25,024[1]	133,123	718,066	22,842	44,448[2]		943,503
Collections Over (Under) Estimate	$(273,343)	$(32,377)	$ 393,008	$ 3,784	$(92,121)		$ (1,049)
Enterprise Fund							
Estimated Revenue				$ 257,434			$ 257,434
Actual Revenue				335,890			335,890
Collections Over (Under) Estimate				$ 78,456			$ 78,456
Nonexpendable Trust							
Estimated Revenue	$ -0-						$ -0-
Actual Revenue	10,219						10,219
Collections Over (Under) Estimate	$ 10,219						$ 10,219

[1]The cultural and aesthetic grants were transferred to the Montana Arts Council in 1984 which resulted in a decrease in coal tax earnings.

[2]Reimbursement revenue is federal grant reimbursement money.

[3]Historic Preservation Grant money is accounted for in the Agency Fund on the state's accounting system. The Historic Preservation Grants are included with other federal money in the Special Revenue Fund on the above schedule.

These schedules are compiled from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 21 through 24.

MONTANA HISTORICAL SOCIETY
SCHEDULE OF PROGRAM EXPENDITURES AND TRANSFERS OUT BY FUND - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1984

	Administration	Library	Museum	Magazine	Historic Sites Preservation	Archives	Education	Total
GENERAL FUND								
Budget	$350,219	$138,245	$203,064	$ 37,510	$ 70,533	$190,093	$28,445	$1,018,109
Actual								
Personal Services	223,592[2]	111,347	136,683	13,557	55,137	177,499	7,274	725,089
Operating Expenses	107,693	20,004	63,531	21,011	12,438	8,400	5,555	238,632
Equipment	3,244	6,465	2,606	404	251	3,184		16,154
Total Actual	334,529	137,816	202,820	34,972	67,826	189,083	12,829	979,875
Unspent Appropriation Authority	$ 15,690	$ 429	$ 244	$ 2,538	$ 2,707	$ 1,010	$15,616	$ 38,234
SPECIAL REVENUE FUND[3]								
Budget	$ 53,175	$ 84,083			$825,976	$115,645	$63,560	$1,142,439
Actual								
Personal Services	13,540	31,571			73,501	43,919	30,225	192,756
Operating Expenses	15,743	26,633			12,208	18,492	20,692	93,768
Equipment		3,672			389	665	301	5,027
Grants					631,618			631,618
Total Actual	29,283	61,876			717,716	63,076	51,218	923,169
Unspent Appropriation Authority	$ 23,892	$ 22,207			$108,260	$ 52,569	$12,342	$ 219,270
NONEXPENDABLE TRUST								
Budget	$ -0-[1]							$ -0-
Actual								
Operating Expenses	5,000							5,000
Total Actual	5,000							5,000
Unspent Appropriation Authority	$ (5,000)							$ (5,000)
ENTERPRISE FUNDS								
Budget				$327,300				$ 327,300
Actual								
Personal Services				83,055				83,055
Operating Expenses				195,987				195,987
Equipment				(2,199)				(2,199)
Total Actual				276,843				276,843
Unspent Appropriation Authority				$ 50,457				$ 50,457
ALL FUNDS TOTAL								
Budget	$403,394	$222,328	$203,064	$364,810	$896,509	$305,738	$92,005	$2,487,848
Actual								
Personal Services	237,132	142,918	136,683	96,612	128,638	221,418	37,499	1,000,900
Operating Expenses	128,436	46,637	63,531	216,998	24,646	26,892	26,247	533,387
Equipment	3,244	10,137	2,606	(1,795)	640	3,849	301	18,982
Grants					631,618			631,618
Total Actual	368,812	199,692	202,820	311,815	785,542	252,159	64,047	2,184,887
Unspent Appropriation Authority	$ 34,582	$ 22,636	$ 244	$ 52,995	$110,967	$ 53,579	$27,958	$ 302,961

[1] According to state law, this fund does not require an appropriation.

[2] Personal Service Expenditures increased between FY '83 and FY '84 in this program because 4.5 FTE were added to the society's security system.

[3] Historic Preservation Grant money is accounted for in the Agency Fund on the state's accounting system. The Historic Preservation Grants are included with other federal money in the Special Revenue Fund on the above schedule.

These schedules are compiled from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 21 through 24.

MONTANA HISTORICAL SOCIETY
SCHEDULE OF PROGRAM EXPENDITURES AND TRANSFERS OUT BY FUND - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1983

	Administration	Library	Museum	Magazine	Merchandising	Historic Sites Preservation	Archives	Education	Total
GENERAL FUND									
Budget	$207,407	$130,207	$199,646	$ 36,827		$ 63,906	$194,266		$ 832,259
Actual									
Personal Services	117,939	107,833	155,618			55,239	177,707		614,336
Operating Expenses	86,453	19,156	39,428	29,159		7,402	14,603		196,201
Equipment		2,875	3,809	6,708			755		14,147
Total Actual	204,392	129,864	198,855	35,867		62,641	193,065		824,684
Unspent Appropriation Authority	$ 3,015	$ 343	$ 791	$ 960		$ 1,265	$ 1,201		$ 7,575
SPECIAL REVENUE FUND[3]									
Budget	$246,903	$ 50,175	$169,081			$422,034	$ 97,103	$75,000	$1,060,296
Actual									
Personal Services	12,751	20,153	33,273			79,253	52,484	36,094	234,008
Operating Expenses	8,462	13,057	62,371			23,278	31,569	32,576	171,313
Equipment	5,102	3,491	9,692			11,472	2,119		31,876
Grants	207,383					188,605			395,988
Capital Outlay			22,056[2]						22,056
Total Actual	233,698	36,701	127,392			302,608	86,172	68,670	855,241
Unspent Appropriation Authority	$ 13,205	$ 13,474	$ 41,689			$119,426	$ 10,931	$ 6,330	$ 205,055
NONEXPENDABLE TRUST									
Budget	$ -0-[1]								$ -0-
Actual									
Transfers	3,640								3,640
Total Actual	3,640								3,640
Unspent Appropriation Authority	$ (3,640)								$ (3,640)
ENTERPRISE FUNDS									
Budget				$226,678	$291,603				$ 518,281
Actual									
Personal Services				90,015	56,484				146,499
Operating Expenses				84,090	87,304				171,394
Equipment				815	9,334				10,149
Total Actual				174,920	153,122				328,042
Unspent Appropriation Authority				$ 51,758	$138,481				$ 190,239
ALL FUNDS TOTAL									
Budget	$454,310	$180,382	$368,727	$263,505	$291,603	$485,940	$291,369	$75,000	$2,410,836
Actual									
Personal Services	130,690	127,986	188,891	90,015	56,484	134,492	230,191	36,094	994,843
Operating Expenses	94,915	32,213	101,799	113,249	87,304	30,680	46,172	32,576	538,908
Equipment	5,102	6,366	13,501	7,523	9,334	11,472	2,874		56,172
Grants	207,383					188,605			395,988
Transfers	3,640								3,640
Capital Outlay			22,056						22,056
Total Actual	441,730	166,565	326,247	210,787	153,122	365,249	279,237	68,670	2,011,607
Unspent Appropriation Authority	$ 12,580	$ 13,817	$ 42,480	$ 52,718	$138,481	$120,691	$ 12,132	$ 6,330	$ 399,229

[1] According to state law, this fund does not require an appropriation.

[2] Coal Tax Earnings provided funds for the restoration of art work in the capital building which was accounted for in the museum program. Restoration was complete at the end of FY '83. Coal Tax Earnings were transferred to Montana Arts Council in FY '84.

[3] Historic Preservation Grant money is accounted for in the Agency Fund on the state's accounting system. The Historic Preservation Grants are included with other federal money in the Special Revenue Fund on the above schedule.

These schedules are compiled from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 21 through 24.

MONTANA HISTORICAL SOCIETY
SCHEDULE OF PROGRAM EXPENDITURES AND TRANSFERS OUT BY OBJECT
FOR THE FISCAL YEAR ENDED JUNE 30, 1984

	Administration	Library	Museum	Magazine	Historic Sites Preservation	Archives	Education	Total
PERSONAL SERVICES								
Salaries	$195,061	$118,224	$111,950	$ 81,145	$106,872	$180,474	$32,115	$ 825,841
Other Compensation	131							131
Employee Benefits	41,940	24,694	24,733	15,467	21,766	40,944	5,384	174,928
Total Personal Services	237,132	142,918	136,683	96,612	128,638	221,418	37,499	1,000,900
OPERATING EXPENSES								
Contracted Services	47,609	26,081	38,093	49,504	5,088	10,032	17,316	193,723
Supplies & Materials	6,170	5,656	14,218	2,948	1,730	5,056	2,966	38,744
Communications	7,750	2,457	4,537	15,486	7,479	4,113	1,985	43,807
Travel	10,064	4,417	2,507	3,381	6,493	5,160	1,880	33,902
Rent	52,289	2,112	579	4,549	868	199	260	60,856
Repair and Maintenance	1,538	2,197	509	1,560	1,014	1,514	221	8,553
Other Expenses	3,016	3,708	3,055	(20,249)	1,974	818	1,619	(6,059)
Goods Purchased for Resale		9	33	159,819				159,861
Total Operating Expenses	128,436	46,637	63,531	216,998	24,646	26,892	26,247	533,387
EQUIPMENT	3,244	10,137	2,606	(1,795)	640	3,849	301	18,982
GRANTS								
From State Sources					3,026			3,026
From Federal Grants					628,592			628,592
Total Grants					631,618			631,618
TOTAL PROGRAM EXPENDITURES	$368,812	$199,692	$202,820	$311,815	$785,542	$252,159	$64,047	$2,184,887

These schedules are compiled from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 21 through 24.

MONTANA HISTORICAL SOCIETY
SCHEDULE OF PROGRAM EXPENDITURES AND TRANSFERS OUT BY OBJECT
FOR THE FISCAL YEAR ENDED JUNE 30, 1983

	Administration	Library	Museum	Magazine	Merchandising	Historic Sites Preservation	Archives	Education	Total
PERSONAL SERVICES									
Salaries	$109,355	$107,049	$155,115	$ 75,339	$ 47,366	$112,235	$190,868	$29,935	$ 827,262
Hourly Wages			343						343
Employee Benefits	21,335	20,937	33,433	14,676	9,118	22,257	39,323	6,159	167,238
Total Personal Services	130,690	127,986	188,891	90,015	56,484	134,492	230,191	36,094	994,843
OPERATING EXPENSES									
Contracted Services	30,719	15,149	59,486	27,102	9,478	11,224	11,555	10,452	175,165
Supplies & Materials	4,823	4,588	21,374	2,841	1,234	1,545	19,856	3,470	59,731
Communications	5,360	2,363	4,953	10,210	2,133	7,063	4,430	2,848	39,360
Travel	8,256	767	4,571	4,012	1,785	6,012	8,706	12,972	47,081
Rent	38,207	2,663	4,385	3,684	9,957	2,456	865	378	62,595
Utilities			3,542						3,542
Repair and Maintenance	3,543	3,217	1,317	353	804	667	565	256	10,722
Other Expenses	4,007	3,466	2,171	(2,687)	(14,006)	1,713	160	2,200	(2,976)
Goods Purchased for Resale				67,734	75,919		35		143,688
Total Operating Expenses	94,915	32,213	101,799	113,249	87,304	30,680	46,172	32,576	538,908
EQUIPMENT	5,102	6,366	13,501	7,523	9,334	11,472	2,874		56,172
CAPITAL OUTLAY									
Buildings			7,947						7,947
Other Improvements			14,109						14,109
Total Capital Outlay			22,056						22,056
GRANTS									
From State Sources	207,383					12,089			219,472
From Federal Sources						176,516			176,516
Total Grants	207,383					188,605			395,988
TRANSFERS									
Accounting Entity Transfers	3,640								3,640
TOTAL PROGRAM EXPENDITURES	$441,730	$166,565	$326,247	$210,787	$153,122	$365,249	$279,237	$68,670	$2,011,607

These schedules are compiled from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 21 through 24.

MONTANA HISTORICAL SOCIETY

NOTES TO THE FINANCIAL SCHEDULES

FOR THE TWO FISCAL YEARS ENDING JUNE 30, 1984

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Historical Society utilizes the modified accrual basis of accounting which is described in the Montana Operations Manual.

Under the modified accrual basis of accounting, a valid obligation exists when the associated liability is incurred except for the following items which are also considered valid obligations under state accounting policy:

--If the appropriation provided funds to complete a given project, the entire amount of a service contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is accrued.

--The anticipated cost of equipment is expensed in the fiscal year in which budgeted.

--Goods ordered, but not received as of the fiscal year-end, may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.

Basis of Presentation

The financial schedules were prepared from the Statewide Budgeting and Accounting System (SBAS) without adjustments. Accounts are organized on the basis of funds according to state law. The following fund types are used by the society:

General - accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue - accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Legislative appropriation is required to spend from this fund.

Enterprise - accounts for operations:

A. That are financed and operated in a manner similar to private business enterprises whenever the intent of the legislature is that costs (i.e., expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges.

B. Whenever the legislature has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Nonexpendable Trust - accounts for assets held by state government in a trustee capacity or as an agent for individuals, private organizations, other governmental entities, or other funds.

Vacation and Sick Leave

Employees at the society accumulate both vacation and sick leave. Employees are paid for 100 percent of unused vacation and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for vacation and sick leave are not reflected in the financial schedules of the Montana Historical Society. Expenditures for termination pay currently are absorbed in the annual operational costs of the society. At June 30, 1984 the society had a liability of $46,215 for vacation leave and $20,612 for sick leave.

2. EMPLOYEES' RETIREMENT SYSTEM

The Montana Historical Society (MHS) employees are covered by the Public Employees' Retirement System (PERS). The society's contribution to PERS for the fiscal year ended June 30, 1983 and June 30, 1984 was approximately $51,411 and $52,143, respectively.

3. MUSEUM COLLECTION

Museum collections at the society include C.M. Russell, Poindexter, Ethnographic, Griffin, History, Haynes, Johns Gun,

Original Governor's Mansion and the Permanent Fine Arts Collection. Library and Archives collections consist of books, periodicals, maps, microfiche, photographs, monographs and manuscripts.

The practice followed by many museums is not to record the values of purchased and donated collections because of the impracticability of valuing these assets. However, for insurance purposes the value of the collection as of June 30, 1984 was $29,994,569.

4. GENERAL FUND BALANCE

The General Fund is a statewide fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the statewide General Fund as long as they stay within their appropriation limits. Thus, on an agency schedule the General Fund beginning and ending fund balance will always be zero.

5. PROGRAM REORGANIZATION

The Merchandise program was merged into the Magazine program in fiscal year 1984. The following programs were utilized in the respective fiscal years of our audit period.

Fiscal Year 1982-83	Fiscal Year 1983-84
Administration	Administration
Library	Library
Museum	Museum
Magazine	Magazine
Merchandising	
Historic Sites Preservation	Historic Sites Preservation
Archives	Archives
Education	Education

6. TRANSFERS

The society did not report any transfers in or transfers out in its account records during fiscal year 1984.

7. GENERAL FIXED ASSETS - EQUIPMENT

The society records assets on the state's Property and Accountability Management System. The general fixed asset equipment balance at June 30, 1984 is $250,769. This amount includes net additions of $62,076 acquired during fiscal years 1983 and 1984.

8. APPROPRIATIONS BY PROGRAM

Expenditures of $235 in fiscal year 1983-84 for the Administration program were inappropriately charged to the Museum program appropriation.

9. FUND AND REVENUE CLASSIFICATION

The society improperly classified revenue and recorded revenue in the wrong fund and fiscal year. As a result, the following misstatements occurred:

FUND/Revenue Classification	Amount Over/(Under)stated 1982-83	1983-84
SPECIAL REVENUE FUND		
Grants, Gifts, Bequests, and Donations	$ 1,932	$ (215)
ENTERPRISE		
Grants, Gifts, Bequests, and Donations	(31,866)	(17,000)
Sale of Documents, Merchandise, and Property	19,983	26,366
NONEXPENDABLE TRUST		
Investment Earnings	585	215

MONTANA HISTORICAL SOCIETY
SCHEDULE OF FEDERAL GRANT RECEIPTS[1]
FISCAL YEARS ENDING JUNE 30, 1983 AND 1984

Grant Title	Grant Number	Grant Award	Cash Receipts Fiscal Year 1983	Cash Receipts Fiscal Year 1984
National Archives National Historic Records & Publications and Records Commission:				
Historical Records Needs Assessment	81-121	$ 22,872	$ 10,944	$ -0-
Local Government Records	84-91	38,427	-0-	38,427
Anaconda Records	84-76	5,818	-0-	5,818
National Endowment for the Humanities:				
Historical Map Cataloging	RC-20082-81-0752	43,025	6,827	-0-
Newspaper Cataloging	RC-20677-83	102,569	-0-	45,000
History Day		2,500	-0-	2,500
Institute of Museum Services:				
Museum Cataloging	G008103337	33,460	10,041	-0-
Montana Committee for the Humanities:				
9th MT History Conference		7,948	7,948	-0-
10th MT History Conference		6,393	-0-	6,393

MONTANA HISTORICAL SOCIETY
SCHEDULE OF FEDERAL GRANT RECEIPTS[1]
FISCAL YEARS ENDING JUNE 30, 1983 AND 1984
(Continued)

Grant Title	Grant Number	Grant Award	Cash Receipts Fiscal Year 1983	Cash Receipts Fiscal Year 1984
Department of Interior				
National Parks Service:				
Acquisition and Development	30-11033		3,261	-0-
	30-11249		-0-	-0-
	30-11291		-0-	80,501
	30-11262		-0-	8,322
	30-11983		-0-	2,493
	30-11986		500	-0-
	30-12276		1,970	330
	30-12277		22,500	-0-
	30-12420		3,417	11,583
Survey and Planning	30-10837		(9,737)[2]	-0-
	30-11712		92,471	-0-
	30-12244		50,439	-0-
	30-12332		76,932	127,877
	30-12390		9,695	27,459
	30-83-7518		-0-	17,141
	30-83-7518B		-0-	38,000
	30-83-7526B		-0-	95,649
Emergency Jobs Bill	MT830718-015-A-95	405,089	-0-	204,631
TOTAL			$287,208	$712,124

[1]Grant Receipts as shown in the above schedule differ from the amounts reported on the financial schedules. The above schedule shows actual cash receipts related to grants. The amounts reported on the financial schedules as federal assistance and reimbursements in the Special Revenue Fund identify revenues earned as of the schedule date.

[2]Excess cash for previous year's grant which was applied as a credit to current year's letter of drawdown.

AGENCY RESPONSE

MONTANA HISTORICAL SOCIETY

225 NORTH ROBERTS STREET • (406) 444-2694 • HELENA, MONTANA 59620-9990

May 7, 1985

RECEIVED

Mr. Robert R. Ringwood
Legislative Auditor
State Capitol
Helena, Montana 59620

Dear Mr. Ringwood:

In accordance with your request we submit the following response to recommendations included in the recently completed audit of the two fiscal years ended June 30, 1984 for the Montana Historical Society.

RECOMMENDATION #1

WE RECOMMEND MONTANA HISTORICAL SOCIETY CHARGE EXPENDITURES TO THE PROPER PROGRAM AND APPROPRIATION IN COMPLAINCE WITH THE LEGISLATIVE APPROPRIATION ACT.

RESPONSE

We concur. Program budgets are being closely monitored through year-end to ensure appropriations not be overspent.

RECOMMENDATION #2

WE RECOMMEND THE SOCIETY COMPLY WITH STATE LAW OR IF NECESSARY, SEEK LEGISLATION TO BE EXEMPT FROM THIS LAW.

RESPONSE

We partially concur. We will explore the possibility of exemption from this statute as a potential solution to the problem.

RECOMMENDATION #3

WE RECOMMEND THE SOCIETY:

A. OBTAIN APPROVAL OF AN INDIRECT COST PLAN FOR APPROPRIATE FEDERAL GRANTS.

B. RECOVER APPLICABLE INDIRECT COSTS TO THE FULLEST EXTENT POSSIBLE IN ACCORDANCE WITH STATE LAW.

RESPONSE

We concur. An indirect cost plan will be developed and costs recovered to the fullest extent possible.

RECOMMENDATION #4

WE RECOMMEND THE SOCIETY DEVELOP A PLAN TO ESTABLISH AND COORDINATE THE ADMINISTRATION OF AN HISTORICAL RECORD NETWORK IN COMPLIANCE WITH STATE LAW.

RESPONSE

We concur. The Society has, and will continue to, work toward development of an Historical Record Network. It should be noted that lack of funding for this project would preclude implementation of the plan.

RECOMMENDATION #5

WE RECOMMEND THE MONTANA HISTORICAL SOCIETY ACCOUNT FOR INDIVIDUAL FEDERAL GRANTS SEPARATELY IN THE STATE ACCOUNTING SYSTEM.

RESPONSE

We concur. Our current accounting system facilitates accounting for federal grants as provided for by Circular A-102, Attachment G.

RECOMMENDATION #6

WE RECOMMEND THE SOCIETY MAINTAIN REQUIRED DOCUMENTATION SUPPORTING ALL ACCOUNTING TRANSACTIONS.

RESPONSE

We concur. Current practice ensures adequate supporting documentation accompany each SBAS document as required.

RECOMMENDATION #7

WE RECOMMEND THE SOCIETY:

A. DEPOSIT COLLECTIONS IN COMPLIANCE WITH STATE LAW.

B. ENSURE ALL COLLECTIONS ARE PROPERLY INCLUDED ON THE COLLECTION LOG.

RESPONSE

We concur. Beginning January, FY84, procedures were implemented

ensuring daily deposit of collections and proper recording of receipts in the collection log.

RECOMMENDATION #8

WE RECOMMEND THE SOCIETY:

A. CLASSIFY REVENUE IN ACCORDANCE WITH STATE POLICY.

B. RECOGNIZE REVENUE IN THE PROPER FUND AND THE YEAR EARNED.

RESPONSE

We concur. In order to keep accounting errors to a minimum, all transactions are carefully reviewed for compliance with state policy and generally accepted accounting principles.

RECOMMENDATION #9

WE RECOMMEND MONTANA HISTORICAL SOCIETY ACCOUNT FOR THE HISTORIC PRESERVATION GRANT IN THE SPECIAL REVENUE FUND.

RESPONSE

We concur. Beginning FY85, all preservation grants are accounted for properly in the Special Revenue Fund.

We would like to take this opportunity to thank you and your staff for the conscientious effort put forth in the completion of our audit report.

Sincerely,

Robert Archibald
Director

RA/db